

## Message Text

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11

ACTION COME-00

INFO OCT-01 AF-10 ISO-00 EUR-25 FEA-02 AEC-11 AID-20

CEA-02 CIAE-00 CIEP-03 DODE-00 EB-11 FPC-01 H-03

INR-11 INT-08 L-03 NSAE-00 NSC-07 OMB-01 PM-07 RSC-01

SAM-01 SCI-06 SP-03 SS-20 STR-08 TRSE-00 FRB-03 DRC-01

/169 W

----- 029723

R 221501Z AUG 74

FM AMEMBASSY LAGOS

TO SECSTATE WASHDC 5629

UNCLAS LAGOS 7851

E.O. 11652: N/A

TAGS: BEXP, ENRG, NI

SUBJ: STATUS OF LNG PROPOSALS IN NIGERIA

REF; STATE 181610

1. LIQUEFIED NATURAL GAS (ING) PROPOSALS HAVE LONG HISTORY IN NIGERIA, BUT PRESENT PHASE BEGAN JANUARY 25, 1974, WHEN FEDERAL EXECUTIVE COUNCIL ELIMINATE ALL BUT FOUR PROPOSALS AND CHOSE UK FIRM IMEG AS CONSULTANT TO ASSIST EVALUATION. MINISTRY OF MINES AND POWER AND NIGERIAN NATIONAL OIL CORPORATION (WHOSE DIVISION OF RESPONSIBILITY STILL VAGUE) THEN FORMED JOINT ING COMMITTEE. THOUGH LIMITED, SOME PROGRESS HAS SUBSEQUENTLY BEEN MADE. NNOC HIRED A GRADUATE OF MIT IN APRIL TO DIRECT ITS GAS AND PETROCHEMICAL PROJECTS AND SENT HIM FOR FAMILIARIZATION TO US AND ING-4 CONFERENCE IN ALGIERS. EMBASSY OBTAINED CU GRANT IN JULY FOR MINISTRY OFFICIAL WHO HEADS THE ING COMMITTEE (S.M. AKPE) TO ATTEND BASIC TWO-WEEK ING COURSE AT INSTITUTE OF GAS TECHNOLOGY IN CHICAGO, VISIT SEVERAL ING INSTALLATIONS IN US, AND CONSULT WITH INTERESTED AGENCIES IN WASHINGTON. AFTER SEVERAL MONTHS DELAY, IMEG EVALUATION HAS APPARENTLY GOTTEN UNDERWAY, AND THE PROPOSALS ARE NOW BEING UP-DATED FOR WHAT

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IS HOPED WILL BE THE LAST TIME BEFORE FMG SELECTION IS MADE.

2. WHEN FMG WILL DECIDE HAS LONG BEEN MATTER OF SPECULATION. IN HIS 1973 BUDGET SPEECH, GENERAL GOWON PROMISED ING PROGRAM WOULD BE ANNOUNCED BEFORE END OF THAT FISCAL YEAR, BUT APRIL 1, 1974, CAME AND WNT WITHOUT DECISION. MOST RECENT PROGNOSIS MADE BY PERMSEC ASIODU IN TV INTERVIEW JULY 27; HE EXPRESSED HOPE TWO OF THE FOUR PROPOSALS WOULD BE AGREED "WITHIN THE NEXT YEAR." SO FAR AS EMBASSY AWARE, FMG END ITS CONSULTANT HAVE NOT YET DECIDED HOW TO STRUCTURE THE PROJECT AND WHETHER THE PARTNER OR PARTNERS WILL BE SELECTED BEFORE OR AFTER. "STRUCTURE" INCLUDES OWNERSHIP OF GAS AT WELLHEAD, LOCATION OF THE LIQUEFACTION FACILITIES, COORDINATION WITH OIL OPERATIONS, OWNERSHIP AND OPERATION OF GAS COLLECTION SYSTEM AND TANKERS, FISCAL CONTROLS, MARKETING ARRANGEMENTS, AND COORDINATION WITH PETROCHEMICAL AND FERTILIZER PROJECTS (WHICH WOULD EXPLOIT THE SAME GAS BUT FOR WHICH RESPONSIBILITY LIES IN MINISTRY OF INDUSTTRES). COMPLEXITY HELPS EXPLAIN WHY BALL HAS BEEN SO LONG IN GOVERNMENT'S COURT.

3. IN ABSENCE GUIDELINES, PROPOSALS TO DATE HAVE BEEN BASED ON RESOURCES OF INDIVIDUAL COMPANIES. BY NO COINCIDENCE SHELL-BP GULF, AND PHILLIPS/AGIP ARE THE THREE BIGGEST CURRENT PRODUCERS OF ASSOCIATED GAS (MOBIL PRODUCES MORE OIL THAN AGIP/PHILLIPS, BUT LATTER PRODUCES MORE GAS.) THIER PROPOSALS RELAY ON RESEVES OF ASSOCIATED AND RESERVOIR GAS IN THEIR OWN AREAS OF PETROLEUM PRODUCTION, AND PROPOSED FACILITIES SITED ACCORDINGLY. GULF ING PLANT WOULD NATURALLY BE AT ESCRAVOS IN MID-WESTERN STATE, AND BECAUSE WATER IS SHALLOW THERE, GULF AT ONE TIME FAVORED OFFSHORE ING FACILITY AND MORE RECENTLY ENGAGED BECHTEL TO DETERMINE COST OF DREDGING ONSHORE SITE TO ACCOMMODATE HUGE CONCRETE STRUCTURE WHICH WOULD BE CONSTRUCTED ABROAD AND FLOATED INTO POSITION. BECAUSE SHELL-BP GAS RESERVES GREATER IN EAST (AREA OF PORT HARCOURT) THAN IN MID-WEST, SHELL-BP FACILITY WOULD BE LOCATED NEAR EXISTING CRUDE TERMINAL ON BONNY ISLAND IN RIVERS STATE. BONNY RIVER IS NONE TOO/DEEP FOR ING TANKERS, BUT IT IS DEEPER THAN ANY OTHER WATER ADJACENT TO GAS FIELDS. PHILLIPS/AGIP'S SOURCE OF GAS IS FAR INLAND AND WOULD ALSO BE BROUGHT TO BONNY RIVER FOR LIQUEFACTION AND SHIPMENT. WHEREAS SHELL-BP ALREADY OCCUPIES EAST BANK OF RIVER, PHILLIPS/AGIP PROPOSE ING FACILITIES AT PETERSIDE ON WEST BANK. TENNECO HAS HAD LONG EXPERIENCE IN NIGERIA BUT HAS NO CURRENT OIL PRODUCTION. STRENGHT UNCLASSIFIED

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OF ITS ING PROPOSAL STEMS FROM TENNECO'S POSITION AS MAJOR GAS MARKETER IN US. PROPOSAL IN FOR FACILITY AT INDETERMINATE LOCATION WITH GAS TO BE SUPPLIED BY ENTITY OF GOVERNMENT'S CHOSSING. SHELL-BP REPORTEDLY ENVISAGES INITIAL CAPACITY OF 750 MILLION CUBIC FEET PER DAY, GULF AND PHILLIPS/AGIP 500 MMCFD EACH. TWO PLANTS WOULD CONCEIVABLY HAVE OUTPUT INEXCESS OF 1,00 MMCFD, OR ONE PLANT COULD BULD UP TO THIS AMONT BY ADDING CAPACITY IN LATER PHASES.

4. LAGOS 1239 OF FEBUARY 12, 1974, LISTS US FIRMS KNOWN TO EMBASSY WHICH ARE INTERESTED IN LNG AND PETROCHEMICAL PROJECTS. MOST OF THE BIG DESIGN/CONSTRUCTION FIRMS, INCLUDING BECHTEL, FLUOR, FOSTER WHEELER, KAISER, PROCON, AND RALPH PARSONS, HAVE BEEN INVOLVED AT ONE TIME OR ANOTHER WITH ONE OR MORE OF THE FOUR PROPOSALS. IN GENERAL, SHELL-BP IS REPORTED TO RELY LEAST ON US ENGINEERING FIRMS (AND WOULD SECURE THE SMALLEST PART OF ITS EQUIPMENT FROM US SOURCES) BECAUSE OF SHELL'S WORLDWIDE POLICY TO DIVERSIFY SOURCES AND US COMPANIES ALREADY USED IN BRUNEI AND SARAWAK PROJECTS. PHILLIPS HAS RELIED SO FAR ON LARGELY IN-HOUSE CAPABILITY, WHILE GULF AND TENNECO HAVE CONSULTED SEVERAL DESIGN FIRMS. TENNECO IS CLOSELY ASSOCIATED WITH PROCON (WHICH DID BRUNEI PLANT FOR SHELL), GULF MOST RECENTLY OBTAINED ASSISTANCE FROM BECHTEL, AND SHELL-BP HAS RECEIVED BIDS FROM SEVERAL COMPANIES INCLUDING FOSTER-WHEELER, BUT, SO FAR AS EMBASSY AWARE, CONSTRUCTION COMMITMENTS HAVE NOT BEEN MADE. AIR PRODUCTS AND CHEMICALS INC. HAS COMMANDING LEAD IN LNG PROCESS LICENSING AND MANUFACTURE OF HEAT EXCHANGERS AND MIGHT THEREFORE SUPPLY ANY COMPANY EXCEPT POSSIBLY SHELL-BP. EMBASSY HAS VERY LITTLE INFORMATION ON THE COMPANIES' AND GOVERNMENT'S PLANS FOR SHIPPING; MARAD UNDOUBTEDLY BETTER INFORMED.

5. IN EMBASSY EXPERIENCE, US DESIGN/CONSTRUCTION FIRMS WORK VERY CLOSELY WITH THEIR SUBSIDIARIES IN UK AND ELSEWHERE. NATIONAL ORIGIN OF SALES MANAGER OR PRELIMINARY SERVICES DOES NOT NECESSARILY DETERMINE OFFICE WHICH WOULD HANDLE PROJECT IF AND WHEN MAJOR CONTRACT OBTAINED. IN ANY EVENT, HOME OFFICE IN US IS UNDOUBTEDLY AWARE THAT NIGERIAN PROJECT BEING SOUGHT. NONETHELESS, FOLLOWING ARE ORIGINS OF COMPANY PERSONNEL WITH WHOM EMBASSY HAS HAD CONTACT TO DATE:

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|                        |       |
|------------------------|-------|
| CBI                    | UK    |
| CHEMICO                | US    |
| FOSTER WHEELER         | UK/US |
| ISC (PRITCHARD-RHODES) | UK/US |
| KAISER                 | UK/US |
| PROCON                 | UK    |
| RALPH PARSONS          | US/UK |
| RAYMOND INTERNATIONAL  | US    |

6. FOREGOING INFORMATION IS UNCLASSIFIED BUT SHOULD BE USED WITH FIRMS WITH DISCRETION AND IS NOT RPT NOT FOR PUBLICATION.

7. EMBASSY'S UNCLASSIFIED REPORTING LNG SINCE BEGINNING OF YEAR CONTAINED IN FOLLOWING MESSAGES:

|             |                                     |
|-------------|-------------------------------------|
| 1/10 A-1    | PHILLIPS VISIT.                     |
| 1/30 T-833  | FEC CHOOSES SHORTLIST & IMEG        |
| 2/21 T-1458 | FOSTER WHEELER VIEWS                |
| 2/27 T-1667 | PROCON INTEREST.                    |
| 4/3 T-2823  | GOWON SAY "DURING THE COMING FY"    |
| 5/9 T-4011  | PROGRAM SUGGESTIONS FOR AKPE VISIT. |
| 5/13 A-94   | BASIC OIL AND GAS STATISTICS        |
| 5/23 T-4529 | DENTIAL THAT LNG AWARDED TO GULF    |
| 7/30 T-7041 | ASIODU REMARKS.                     |

8. EMBASSY WOULD APPRECIATE BING KEPT INFORMED ABOUT LNG ACTIVITIES  
OF DEPARTMENT OF COMMERCE TOGETHER WITH ANY INPUTS FROM FEA, FPC,  
MARAD, EXIMBANK OR OTHER WASHINGTON AGANCIES.  
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## Message Attributes

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